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Losing homeowners coverage after making weather claims adds to worry about spring storms

In this issue

Public Policies

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Gov. Bob Holden
Director: Scott B. Lakin
Editor: Randy McConnell
Associate Editor: Melissa Becker

Public Policies serves as a key communications link between MDI and Missouri's legislators, weekly and broadcast media, industry observers and trade associations.

Comments or questions, call 573-526-2946.

When storm clouds gather this spring, homeowners like Eric and Angela Hanvelt of Blue Springs have good reason to worry.

When the lender said their home was underinsured last fall, the Hanvelts contacted their agent to buy more coverage – only to learn the insurer had dropped their coverage in September because of "excessive" claims.

Like much of Missouri – particularly the western portion – the area near Blue Springs is prone to storms packing high winds in the warmer months and ice in the winter. The Hanvelts suffered major damage from both in less than a year: almost $12,000 in a wind damage in June 2001 and $7,000 from a January 2002 ice storm that caused tens of thousands of claims in greater Kansas City.

"These are acts of God or natural occurrences that we did not have any part of, but (we) are being punished nevertheless," Angela Hanvelt wrote in a complaint to the Missouri Department of Insurance (MDI).

Homeowners who lose their coverage after filing weather claims today often have difficulty locating another insurer. Most companies report all claims to a central computer database that shares this information with other insurers. Consumers complain they have been blacklisted because other insurers – trying to restrict their exposure to losses in today's "hard" market – won't accept their business either.

Based on conversations with family and friends, "it seems I am one of many this has happened to," Hanvelt wrote. "My grandmother had the same insurance company for over 20 years with no claims and had two claims in three years, and they dropped her coverage. I know several people I have talked to are afraid to file claims for this very reason."

From 1999 to 2001, MDI projects the number of nonrenewed homeowners in Missouri rose from 8,400 per year to 22,000.

These homeowners often face unacceptable choices:

• Going without insurance altogether on their most valuable investment but, on mortgaged homes, facing the prospect of paying dearly for "forced placement" insurance obtained by the lender.

• Buying a policy from the state's homeowners pool that doesn't cover structure or contents adequately.

• Buying extremely expensive unregulated policies with limited benefits that may require the homeowner to go to court to resolve disputes.

MDI Director Scott B. Lakin endorsed legislation this year that would prohibit insurers from using weather claims to nonrenew or surcharge a policy; prohibit counting simple inquiries by homeowners as claims; and increase the coverage available through Missouri's homeowners' pool. Several states have such laws.

"Homeowners cannot control or avoid storm damage. They cannot

*(See **Spring Storms**, p. 2)*

Spring Storms

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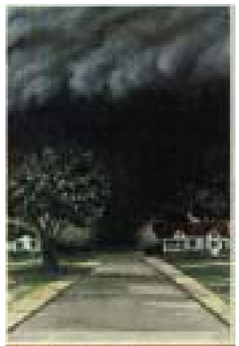

dodge a severe hail storm that punches holes in roofs and even shreds siding," Lakin said. "The costs for this kind of damage should be spread among all homeowners without punishing those who are forced to file a claim. That's the basis of insurance."

Although a Senate committee approved that legislation, neither chamber has yet addressed increased consumer protections for homeowners, and Lakin fears not enough time remains for the legislature to act on the plan this year.

Lakin said he does not want to discourage homeowners from making legitimate claims under the insurance policy. "But homeowners need to understand the risk they're taking," he said.

Less than 10 percent of Missouri homeowners file a claim each year – for any cause, including busted pipes, theft and vandalism, besides weather – and about one in five such claimants will receive nonrenewal notices.

With no greater legal protections available this spring, Lakin said homeowners should consider increasing the size of their deductibles so they are not tempted to make claims for costs that they can absorb. "Insurers maintain the size of the claim isn't important. They view any claim as an indication that you're a greater risk to the company in the future, and our nonrenewals complaints often involve small claims," he said.

Lakin said some companies are offering or requiring higher deductibles – for example, $500 or even $1,000 that homeowners must pay on damage before the insurance benefits take effect. "Whatever you save from having a higher deductible, you should hold in reserve to pay for any damages," he said.

Homeowners who lose coverage can file a complaint on the Internet or call, toll-free, 1-800-726-7390 to see whether Missouri's minimal laws protecting against nonrenewals have been violated.

MDI also has established a "Homeowners Shopping Center" on the Web, which helps consumers with frequently asked questions and contact information on lesser-known insurers operating in each county that may provide coverage if nonrenewals occur.

Nonrenewed homeowners also can recount their story on the Public Portal available at MDI's Web site, *www.insurance.mo.gov*.

Preparing for a storm begins before the wind is blowing

When the skies darken and the sirens wail, you already have missed the chance to be fully prepared for this year's warm-weather storms with their winds, hail and driving rain.

Before a storm strikes, take the time to make sure your current homeowners policy is adequate – if you have one. Almost 20 percent of owner-occupied homes in minority neighborhoods are uninsured, placing the family's most valuable possession at risk. If you have a policy, make sure that outbuildings and unusual personal property – such as jewelry, antiques or other valuable items – are covered adequately.

Missouri Department of Insurance Director Scott B. Lakin advises homeowners to prepare a detailed inventory of household furnishings with photographs of each. Make a list of other valuables and equipment that don't appear in the photos. Store this information securely, for example in a safe or bank deposit box.

Determine a site to gather after the storm, in case family members are scattered. Make a list of important telephone numbers, including family members, your insurance agent and insurance company.

When natural disaster hits…

• Check for injuries and conditions like fallen power lines or broken gas lines that will make cleanup dangerous. Remember: money can replace lost property; it cannot replace a human life or reverse permanent disabilities.

• If property is no longer secure, try to remain on the premises. Take steps to halt further damage by covering broken windows or holes in the roof. Otherwise, the insurer may refuse to pay for subsequent damage from water. Water damage, even if it's covered by the policy, can become grounds for your nonrenewal or denial of coverage for a prospective buyer. Keep receipts on temporary repairs to submit for reimbursement.

• Contact your agent or insurer. Keep a record of the time, date, topic and name of the person you talk to every time you call. Major disasters can swamp local agents, and larger companies often set up mobile units as bases for contingents of adjusters. If you ask about coverage of relatively minor damage, keep the conversation general; if you reveal an actual loss, your record may show a claim even if you didn't ask for payment and no check was written.

• Ask whether the policy covers living expenses, such as hotel or food bills, if your home is uninhabitable.

*(See **Spring Storms**, p. 4)*

MDI licenses six new insurers to write doctors' medical malpractice coverage

The Missouri Department of Insurance has licensed six new companies to write medical malpractice insurance for physicians and surgeons in 2003, MDI Director Scott B. Lakin said.

Even though some are not marketing policies yet, the surge in applications and approvals nevertheless will bring to eight the number of Missouri-licensed firms that offer insurance to physicians who are new applicants. By the last half of 2002, only three or four companies were accepting new business.

"These companies generally will need time to establish their sales networks and support services. But their licensing and expansion into Missouri also indicate that the state's market conditions are fundamentally sound and still attractive to insurers," Lakin said.

"I am convinced that the best way to have malpractice insurance that is affordable and readily accessible is through increased competition."

From August 2001 to May 2002, five larger writers became insolvent, withdrew from the physicians' medical malpractice market nationally or were cautioned by ratings agencies against further expansion. During that period, Missouri's market lost 57 percent of its previous capacity for writing new business.

The shrinkage has contributed heavily to price increases, which are not state regulated. In the mid-2002 renewal cycle, the remaining insurers lacked even the staff to process a flood of applications from new doctors, and complaints about insurance availability rose.

Only Missouri's medical malpractice market for physicians has experienced serious capacity and pricing problems, based on reports to MDI. Since Jan. 1, MDI has licensed these new firms to cover physicians:

— **Missouri Physicians Mutual Insurance Co.**, which took advantage of a special Missouri law that allows the organization of medical malpractice insurers here with lesser capital requirements. Based in St. Louis, the firm differs from other mutuals because policyholders, who are also owners of the insurer's equity, can be assessed for any deficits incurred for benefit payments.

MDI has been contacted by other doctors' groups in both St. Louis and Kansas City about establishing similar mutuals, which developed across the nation in the mid-1970s and mid-1980s to deal with medical malpractice affordability and accessibility problems.

— **Physicians Insurance Co. of Wisconsin**, which is affiliated with that state's physicians association. The company will write policies for all types of Missouri facilities and physicians, including obstetricians, surgeons and others considered higher risk, but the firm has not submitted its policy forms for approval. The company operates in seven states, including the much publicized Nevada market.

— **Professional Solutions Insurance Co.**, a subsidiary of NCMIC, one of the nation's largest medical malpractice insurers that previously has specialized in chiropractors, but now will expand to physicians and surgeons. The firm plans to write non-invasive risks at this time, excluding obstetrics, surgery, radiology and similar risks.

— **Midwest Medical Insurance Co.**, which is affiliated with the Minnesota physicians' association. The company said it obtained the license with an eye toward future expansion into states that border its current policyholder base. It does not plan to offer coverage in Missouri at this time.

— **Fortress Insurance Co.** and **Illinois State Medical Inter-Insurance Exchange (ISMIE)**. Lumbermen's Mutual Casualty Insurance Co., which will stop direct writing, is transferring its Missouri medical malpractice insurance policies — more than $400,000 in premiums a year, under an arrangement with ISMIE — to Fortress. Both Fortress and Illinois State plan to write only newly licensed physicians and those who join medical groups already insured by those carriers. Lumbermen's was the 12th-largest medical malpractice insurer of physicians in Missouri in 2001.

Also anticipating expansion is **Medical Liability Alliance**, the physicians' insurance arm of the **Missouri Hospital Plan**, which is owned by the Missouri Hospital Association. The plan, Missouri's No. 11 physician writer in 2001, previously wrote only doctors who are directly employed by member hospitals. In May, it plans to begin insuring doctors who are on staff, but not directly employed at member hospitals. In 2000, the Hospital Plan was the second-largest writer of malpractice insurance overall.

Those companies will join such established insurers for new physician applicants as **Medical Assurance Co., Medical Protective Co., Mid-Century Insurance Co. (Farmers), The Doctors Company** and **TIG Insurance Co**. The state's largest medical malpractice writer for physicians — **Intermed** — is not taking applications for new business because it exhausted its financial capacity, but the insurer is renewing most current accounts.

A complete directory of medical malpractice insurers for physicians is available on the MDI Web site.

*(See **Medical Malpractice**, p. 4)*

Spring Storms

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• Make a list of all personal property destroyed or damaged, based on the inventory that includes the purchase price, date and place.

• Assess whether the proposed monetary settlement is reasonable. A state-licensed public adjuster may approach policyholders, asking to represent them in negotiations with their insurers. Lakin advised policyholders not to sign an agreement with a public adjuster at least until the insurer has made its own estimates and settlement offer. Public adjusters generally charge a percentage of the full settlement as their fee. Consider hiring a public adjuster only when any settlement increase likely will exceed the public adjuster's cost.

When MDI can help…

MDI helps resolve more than 1,100 homeowners insurance complaints each year, most involving claims. If problems arise obtaining a settlement, MDI may be able to assist when:

• The agent or company does not respond to your calls, either before or after you file a claim. If you cannot make contact within 48 hours, consider calling MDI.

• The company does not provide temporary lodging and other assistance specified in the policy.

• The insurer contends damage is not covered.

• Adjusting and payment do not meet legal deadlines. In a typical instance, the company has a maximum 10 days to acknowledge a claim, 30 days to investigate and 15 days to pay or deny the amount.

MDI cannot serve as judge and jury on disputes about the value of the damage. But because MDI licenses agents and insurers, it can help mediate disagreements about contract language and enforce state legal requirements on coverage, when necessary. ❖

Medical Malpractice

(continued from page 3)

New competitors provide long-term solution for malpractice affordability, accessibility concerns

In a report to Gov. Bob Holden Feb. 6, Lakin described Missouri's current medical malpractice difficulties for physicians as a capacity problem that stems from the market expansions and contractions of the historic insurance cycle. After intense price competition in the late 1990s, several insurers folded or left the market nationally; none had major difficulties with their Missouri business.

Last month, Lakin recommended statutory changes that would allow establishment of a short-term, state-sponsored insurance program similar to those in several other states; the program would sell affordable coverage to doctors in critical specialties like obstetrics and surgery that cannot obtain policies from insurers or face unusually large increases in premiums.

"We are not convinced the state should enter the insurance business on a long-term basis. We expect this state insurance program would fill the gap, perhaps for three years, until the private market can regain an adequate number of competitors that are geared up for active marketing and appropriate pricing," Lakin said.

The legislature has not yet acted on the plan, although several key lawmakers are considering the MDI proposals that Gov. Holden has endorsed. ❖

General American MHC Information Center

The General American Mutual Holding Co. receivership has sent notices to more than 300,000 persons and companies that state how much they can expect to receive from the initial $1 billion distribution of GAMHC's assets.

The assets include the proceeds from the sale of GAMHC's life insurance subsidiaries to MetLife in January 2000 plus investment earnings, less expenses.

Those parties generally were owners of a General American Life Insurance Co. policy or contract as of Jan. 5, 2000. They have until June 24, 2003 to file objections on their distribution amount. More information on the objection process is found in the notice packet. As a mutual, GAMHC — the former parent of General American Life — legally was owned by its "members," who were owners of General American Life policies or contracts.

The packets mailed in April include these documents:

· A notice guide to help eligible members understand the contents of the packet.
· A member information booklet that contains detailed information on the liquidation of GAMHC and the proposed distribution of its assets.
· The eligible member distribution card that will tell how much eligible members can expect to receive from the first distribution of $1 billion.
· A postage paid envelope to return the taxpayer identification number certification card (W-9) attached to the eligible member distribution card.
Albert A. Riederer, the special deputy liquidator (SDL), plans to make

*(See **General American**, p. 5)*

General American

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the initial distribution of $1 billion no later than this fall, depending on the volume of objections. The court granted all eligible members the right to object to the SDL's determination of their membership interest.

The SDL must review all the objections before the first distribution can be made.

At least one more distribution is planned.

Because of the investment activities, the special deputy liquidator has increased the assets from the $1.2 billion original purchase price to $1.4 billion. The SDL still needs to address these issues before a final distribution occurs: $285 million in claims (expenses that are not traditional insurance claims) that MetLife filed in January 2003; tax liabilities from the years before 2000; and litigation with General American Life's former auditors.

Also available through the Information Center are these documents:

· Frequently asked questions about GAMHC and the liquidation process.

· The IRS ruling on the taxability of the distribution.

· The IRS ruling on the the effect of the distribution on tax-qualified plans.

· The actuarial statement from Watson Wyatt Worldwide on the calculation of the shares for the distribution.

· The certified financial statements of GAMHC for calendar · 1999, 2000 and 2001. The 2002 statements will be posted shortly.

· The investment report on GAMHC, by quarter, since the sale.

· A summary of news items for GAMHC.

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Lakin to waive education requirements, late fees for insurance agents, brokers on active duty

Missouri Department of Insurance Director Scott B. Lakin says he will waive continuing education requirements and late fees for Missouri insurance agents and brokers who are called up for active duty as National Guardsmen or members of the federal military reserves.

Lakin said the waiver will apply to any of the 94,000 Missouri agents and 7,000 brokers who may be called to active duty for 30 days or more during the last six months before their license renewal is due.

"I want our military men and women to be able to focus on their missions and their families' needs without worrying about taking continuing education courses, doing paperwork, seeking individual waivers and sometimes paying substantial late fees for missing renewal deadlines," Lakin said.

"One of our own employees has been called up for active duty, and we are sensitive to the problems this deployment causes in daily life. We expect to be liberal in our interpretation and consider other hardship cases outside the guidelines listed. The number of these cases will grow depending on the length of the current Iraq conflict and any military occupation that follows."

Missouri law, effective Jan. 1, requires agents and brokers – now known legally as insurance "producers" under state law – to renew their licenses every two years. To do so, they must complete from 10 to 16 hours of continuing education.

Producers who allow their licenses to expire without renewals may seek reinstatement within the following 12 months, but pay late fees of $25 a month besides the $100 renewal fee.

Lakin will invoke a special legal provision to waive the continuing education and late-fee requirements for military personnel.

Lakin said producers would become eligible for education and fee waivers by submitting a copy of their activation orders.

Producers may obtain clarification on the process by calling MDI's licensing section at 573-751-3518.

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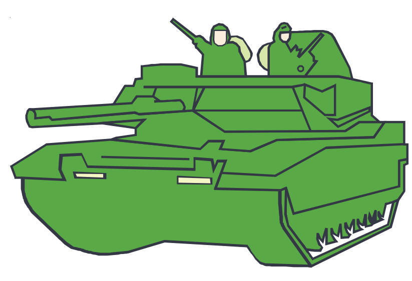

Regulatory actions –

February & March 2003

Legal action - agents, agencies, brokers, companies

James M. Barnes, Warsaw, MO, license revoked.

Kevin P. Berry, St. Charles, MO, $700 forfeiture for demonstrating lack of fitness and trustworthiness.

Jude K. Jones, O'Fallon, MO, 1998 forfeiture expunged.

Benjamin T. Ledbetter, Branson, MO, license revoked.

Dean A. Mentink, Rolla, MO, refusal to renew.

Margaret H. Metzger, Bridgeton, MO, expunge 1998 action.

Gary B. Ross, Ballwin, MO, insurance agent license refused because of criminal record.

Ted L. Summers, Center, MO, license revoked.

American Growers Insurance Co., Lincoln, NE, certificate of authority suspended.

Nations Title Agency of Missouri, Inc., St. Louis, MO, $325 forfeiture for employing unlicensed individuals.

Realty Title Co., Independence, MO, $50 forfeiture for failure to maintain books and records.

Title Insurers Agency Inc., St. Louis, MO, $650 forfeiture for failure to maintain books and records, failure to make required disclosure on contract and failure to record security instrument.

Financial Exams

Alliance for Community Health, St. Louis, MO.

Cameron Country Mutual Insurance Co., Cameron, MO.

Community Health Plan, St. Joseph, MO.

Cox Health Systems HMO, Inc., Springfield, MO.

Cox Health Systems Ins. Co., Springfield, MO.

Delta Dental Plan of Missouri, St. Louis, MO.

Dental Source of MO/KS, Inc., Kansas City, MO.

Gateway Insurance Co., St. Louis, MO.

MARCIT, Kansas City, MO.

Market Conduct Exams

ACE USA Companies
Philadelphia, PA
Examination #0214-06-PAC
$6,585 forfeiture

Cigna Healthcare
St. Louis, MO
Examination # 0038-10-HMO
$104,900 forfeiture

Community Health Plan
St. Joseph, MO
$51,675 forfeiture
Examination # 0128-10-HMO

Resource Life Insurance Company
Glenview, IL
Examination # 0109-03-TGT
$8,500 forfeiture

Safeco Insurance Cos.
Seattle, WA
Examination # 2168-1299-GRP
$20,000 forfeiture

Company Changes

Aetna Health Management, LLC, Oklahoma City, OK, changed its name to *Aetna Health Management, Inc.*

Anchor National Life Insurance Co., Los Angeles, CA, changed its name to *AIG SunAmerica Life Assurance.*

American Resources Life Insurance Co., Des Moines, IA, dissolved.

American Growers Insurance Co., Council Bluffs, IA, certificate of authority was suspended.

ASI Resources, Inc., Brookfield, WI, withdrew as a third party administrator (TPA).

Automated Benefit Services, Sterling Heights, MI, was admitted as a TPA.

Caliber One Indemnity Co., Wilmington, DE, changed its name to *Maxum Indemnity Co.*

Capitol Specialty Insurance Corp., Madison, WI, was approved as a surplus lines company.

CHS Casualty Risk Retention Group, Inc., Burlington, VT, registered as a risk retention group.

CNL/Insurance America, Macon, GA, was admitted with property authority.

Commercial Underwriters Insurance Co., New York, NY, changed its name to *Allied World Assurance Co. (US) Inc.*

*(See **Regulatory Actions**, p. 7)*

Regulatory Actions

(continued from page 6)

Country Investors Life Assurance Co., Bloomington, IL, added variable contracts authority.

Delta Life and Annuity Co., Topeka, KS, merged into ***American Investors Life Insurance Co.***

Dent County Mutual, Lebanon, MO, merged with ***Laclede Mutual Insurance.***

Disability Management Alternatives, LLC, Farmington, CT, was admitted as a TPA.

Fidelity National Insurance Co., Santa Barbara, CA, was admitted with property, liability and miscellaneous authority.

Fireman's Fund Risk Management Services, Inc., Novato, CA, withdrew as a TPA.

General Star International Indemnity Limited, Stamford, CT, withdrew from the listing of alien surplus lines insurers.

GS Administrators, Inc., Houstan, TX, withdrew as a TPA.

Gulf Insurance Co. UK Limited, Hartford, CT, withdrew as a property and casualty company in Missouri.

Haulers Insurance Co., Inc., Columbia, TN, added miscellaneous authority.

Homeland Insurance Co. of New York, Melville, NY, was admitted as a surplus lines company.

International Insurance Co., Irving, TX, merged with ***TIG Insurance Co.***

Kansas City Fire and Marine Insurance Co., Chicago, IL, redomesticated from Missouri to South Carolina.

Lincoln National Reassurance Co., Fort Wayne, IN, merged into ***Swiss Re Life Insurance Co. of America.***

Mid America Health Care Plans, Inc., Wichita, KS, merged into ***Coventry Health Care of Kansas, Inc.***

Missouri Physicians Mutual, St. Louis, MO, was admitted as a chapter 383 medical malpractice company.

Northbrook Life Insurance Co., Northbrook, IL, merged into ***Allstate Life Insurance Co.***

P5 E. Health Services Inc., Salt Lake City, UT, changed its name to ***P5 Inc.***

Pennsylvania Casualty Co., Mechanicsburg, PA, certificate of authority revoked.

Professional Solutions Insurance Co., West Des Moines, IA, was admitted with property and liability authority.

Provident National Assurance Co., Northbrook, IL, changed its name to ***Allstate Assurance Co.*** and redomesticated from Tennessee to Illinois.

Security National Life Insurance Co., Salt Lake City, UT, was admitted with life, annuities, endowments, accident and health authority.

Specialty Claims Services, Inc., Little Rock, AR, was admitted as a TPA.

Terra Nova Insurance Co. Limited, Deerfield, IL, changed its name to ***Markel International Insurance Co.***

United National Casualty Insurance Co., Hammond, IN, was admitted with property, liability, fidelity, surety, accident, health and miscellaneous authority.

U.S. Branch of Clarica Life Insurance Co., Wellesley Hills, MA, merged into ***Sun Life Assurance Co. of Canada***

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Personnel Actions

New Hires

Glenda Siegel, insurance licensing tech I

Resignations

Suzanne Staggs, clerk typist II
Derek Butler, financial examiner
James Clarke, financial examiner

Retirements

Brad Connor, division director
Dan Pawliczak, computer information technician III

Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690